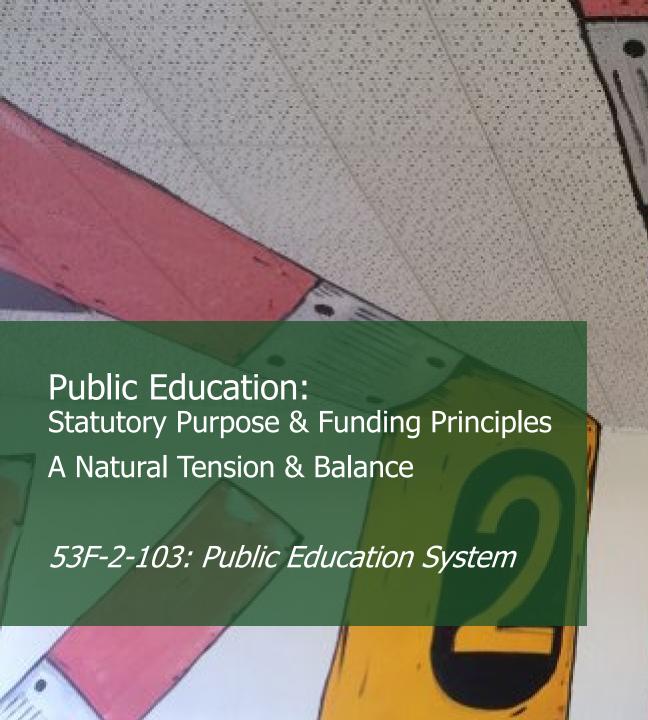


Property Tax in Public Education: The Combined Basic Rate

R. Benjamin Leishman

Finance Manager, Public and Higher Education

August 17, 2022



State Role:

- Establish & Maintain an Educational System
- Provide a Reasonably Equitable
 Educational Opportunity for all
 Students Regardless of District
 Wealth
- Minimum School Program:
 Basic Program [WPUs] & Basic Rate
- Local Role:
 - Districts Pay a Reasonable Portion of the Minimum Program [Basic Rate]
 - Local Boards Empowered to Provide Opportunities Beyond the Minimum Program [Discretionary Levies]
 - Encourage Latitude of Action "Local Control"

Basic School Program: Weighted Pupil Units & The Basic Rate

The Weighted Pupil Unit

- Uniform Factor to Determine "Cost" of Basic Programs & Distribute State Funds to Local Education Agencies
- Supports Delivery of a Basic Education
- Student-Based Characteristics Using Primary & Add-on Weightings
- Dollar Amount Paid for Each WPU [WPU Value] Set by Legislature
- Primary Property Tax Equalization
 Method Mix of Income & Property



The Basic Rate

- School Districts Must Levy to Qualify for State WPU Funding
- Uniform Statewide Property Tax Rate
 - Relies on Statewide Taxable Value
 - Legislature Determines a Revenue Target
 - Tax Commission Sets Rate to Meet Target
- Basic Rate "Floats Down" with Taxable Value & State Funding Increases
- "Float Down" Paused for Five Years
 - in H.B. 293 (2018 GS) Rate "Freeze"



Basic School Program:

Equalization

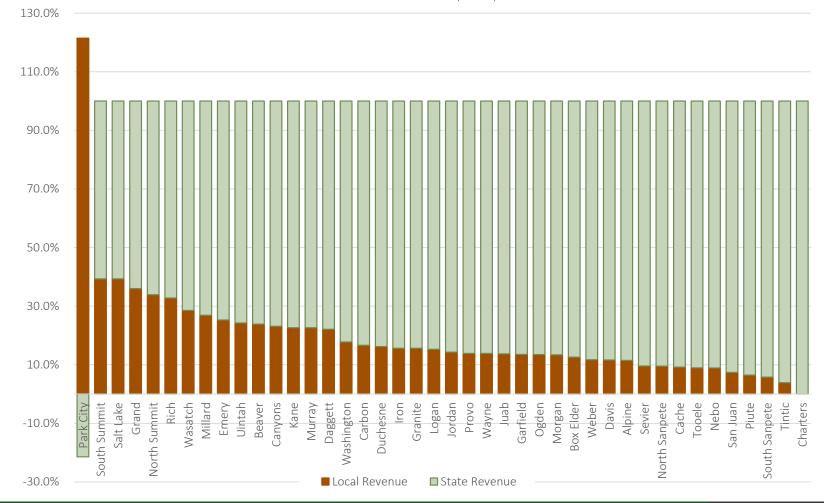
Minimum School Program: Basic School Program Equalization

Percent of State and Local Revenues Contributing to Total WPU Cost by Local Education Agency

Charter Schools Totaled | Example

State & Local Participation:

- Property Tax Funds
 WPUs First
- State Funds Difference
 - Income Tax
- Recapture
 - Park City





Timeline & Context

2015-2016

- Concern with Declining Local Contribution to Basic School Program
- Increased Pressure for Property Tax Equalization
- S.B. 97 Property Tax Equalization Amendments (2015 GS)
 - Increased Basic Rate by \$75.0 Million
 - Amount Based on Prior 10-Year Inflation Estimate

2018-2019

- Continued Concern with Declining Local Contribution & Property Tax Equalization
- Our Schools Now Initiative
 - Increase Sales & Income Tax to Raise Additional Funding for Schools
- 2018 General Session
 - H.B. 293 Tax Rebalancing Revisions
 - Tax Reform Task Force Established

Property Tax Equalization

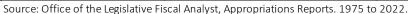


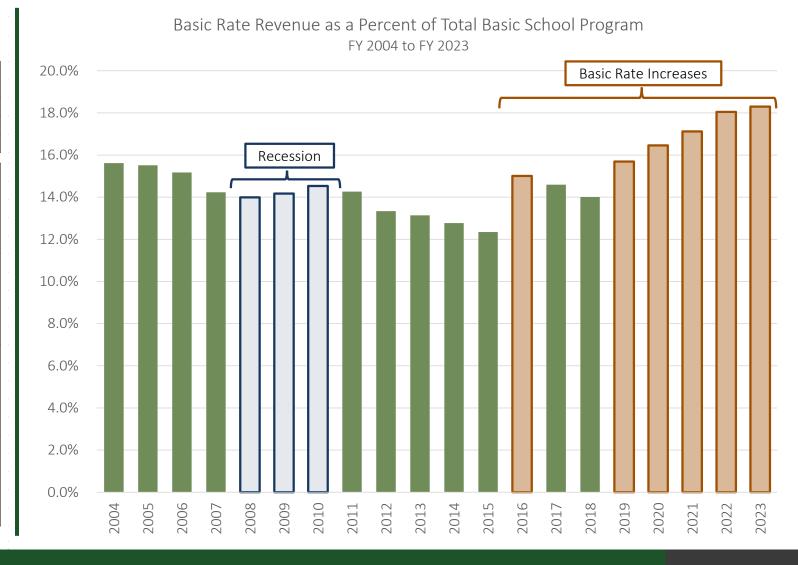
Property Tax Revenue in the Basic School Program

Minimum School Program - Basic School Program

Total Revenue by Source with Local Revenue as a Percent of Total FY 1975, FY 1979, and FY 1980 Compared to FY 2004 to FY 2023

Fiscal	Basic Scho	Local as		
Year	State Funds	Local Funds	Total	% of Total
1975	\$199,600,800	\$64,766,000	\$264,366,800	24.5%
1979	\$301,819,365	\$100,957,890	\$402,777,255	25.1%
1980	\$329,758,932	\$103,572,888	\$433,331,820	23.9%
2004	64.446.407.040	† 242.440.604	64.250.207.700	45.60/
2004	\$1,146,197,019	\$212,110,681	\$1,358,307,700	15.6%
2005	\$1,184,782,882	\$217,590,700	\$1,402,373,582	15.5%
2006	\$1,262,945,100	\$225,872,100	\$1,488,817,200	15.2%
2007	\$1,400,824,000	\$232,483,100	\$1,633,307,100	14.2%
2008	\$1,507,523,600	\$245,254,800	\$1,752,778,400	14.0%
2009	\$1,579,388,000	\$260,731,750	\$1,840,119,750	14.2%
2010	\$1,611,173,700	\$273,950,764	\$1,885,124,464	14.5%
2011	\$1,646,171,900	\$273,950,764	\$1,920,122,664	14.3%
2012	\$1,846,993,700	\$284,221,713	\$2,131,215,413	13.3%
2013	\$1,910,689,200	\$289,021,900	\$2,199,711,100	13.1%
2014	\$2,009,021,000	\$294,092,000	\$2,303,113,000	12.8%
2015	\$2,106,971,300	\$296,709,700	\$2,403,681,000	12.3%
2016	\$2,152,931,800	\$380,172,300	\$2,533,104,100	15.0%
2017	\$2,296,000,500	\$392,266,800	\$2,688,267,300	14.6%
2018	\$2,449,983,400	\$399,041,300	\$2,849,024,700	14.0%
2019	\$2,486,558,000	\$462,841,100	\$2,949,399,100	15.7%
2020	\$2,586,078,400	\$509,484,600	\$3,095,563,000	16.5%
2021	\$2,697,204,200	\$557,252,600	\$3,254,456,800	17.1%
2022	\$2,853,730,100	\$628,364,800	\$3,482,094,900	18.0%
2023	\$3,032,809,100	\$679,251,300	\$3,712,060,400	18.3%

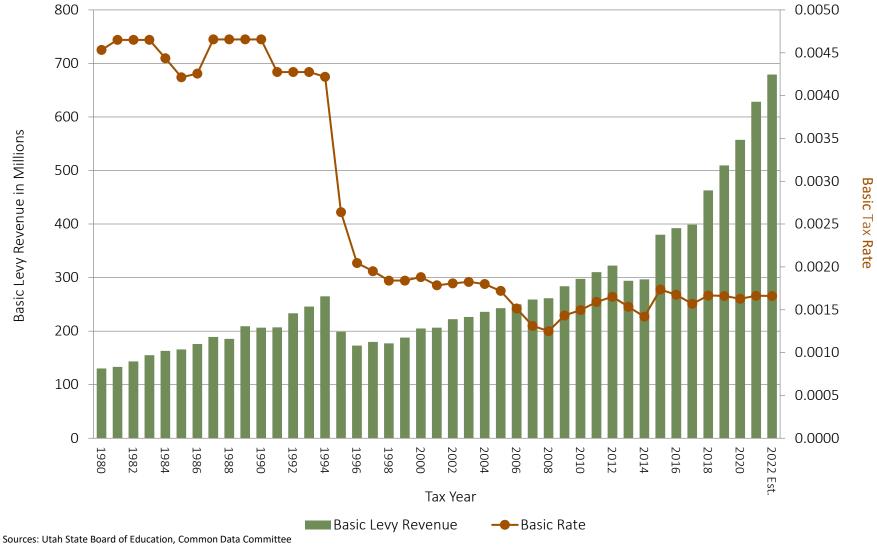






Minimum School Program - Basic Levy Total Basic Levy Revenue & Tax Rate - Tax Years 1980-2022 Est.

Tax Year 2022 = Fiscal Year 2023



Sources: Utan State Board of Education, Common Data Commit Section Prepared by: Office of the Legislative Fiscal Analyst.



H.B. 293 – Tax Rebalancing Revisions: Public Education Components

- Leveraged the Basic Rate to Increase Overall Funding for Education Priorities
- Created Two Additional Tax Rates as Part of the Basic Rate
- Created Two Restricted Accounts in the Education Fund

Equalization

- Equity Pupil Tax Rate
 - Revenue Generated from "Freeze" on Basic Rate (Rate Held at 0.0016)
 - Freeze Expires after 5-Years (FY 2019-23)
- EFR Local Levy Growth Account
 - State Fund Savings from Higher Local Contribution Deposited into Account
 - Supports Equalization Through Voted & Board Local Levy Programs

System Support

- WPU Value Rate
 - Revenue Generated from WPU Value
 Increases Maintain State/Local Ratio
 - "On Top" of Freeze
 - Continues Unless Statute Changed
- EFR Teacher & Student Success Account
 - State Fund Savings from Higher Local Contribution Distributed into Account
 - Supports Teacher & Student Success
 Program Our Schools Now Compromise

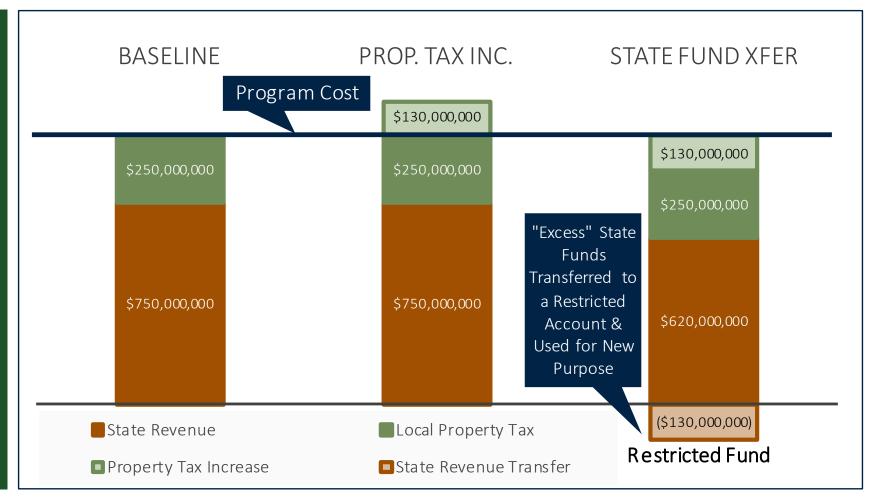


Basic School Program:

Leveraging the Statewide Basic Rate

How Does Property Tax Get to State Restricted Accounts?

- No Property Tax Collected by State
- Shift in Funding Mix on Total Cost of WPUs
- Increased Local Revenue Frees Up State Revenue
- "Excess" State Funds
 Transferred to Restricted
 Accounts





Statewide Basic Rate: Change in Revenue Collections Due to H.B. 293

- FY 2023 Final Year of "Frozen" Equity Pupil Rate
- FY 2024 Rate Will Adjust Up/Down to Generate Revenue Target (Prior-Year Funding + Net New Growth)
- Equity Pupil Rate Generated Less than Estimate WPU Value Rate Generated More than Estimate
 - \$202.6 Million Collected Compared to \$193.8 Million Estimated Difference of \$8.8 Million

Minimum School Program: The Basic Levy - FY 2018 to FY 2023

Basic Rate	Total Revenue						Change	HB 293	% Change
Components	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Since FY 2018	Estimates	Since FY 2018
Basic Levy ⁽²⁾	\$324,041,300	\$333,073,800	\$348,036,700	\$365,367,400	\$384,046,600	\$401,603,200	\$77,561,900	\$0	19.4%
Basic Levy Increment Rate ⁽²⁾	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$0	\$0	
Equity Pupil Tax Rate	\$0	\$36,117,300	\$48,997,900	\$70,135,200	\$100,083,400	\$108,461,300	\$108,461,300	\$125,600,000	27.2%
WPU Value Rate ⁽¹⁾	\$0	\$18,650,000	\$37,450,000	\$46,750,000	\$69,234,800	\$94,186,800	\$94,186,800	\$68,200,000	23.6%
Total:	\$399,041,300	\$462,841,100	\$509,484,600	\$557,252,600	\$628,364,800	\$679,251,300	\$280,210,000	\$0	70.2%
Change Due to HB 293 (2018 GS): \$54,767,300 \$31,680,600 \$30,437,300 \$52,433,000 \$33,329,900					\$202,648,100	\$193,800,000	50.8%		
Difference - Estimate to Actual:							\$8,848,100		

Notes:

⁽²⁾ Statute allows the Basic Rate to collect property tax revenue on the net new growth of properties in the state. "Net New Growth is an amount calculated by the Tax Commission. Historically, this revenue has accrued to the Basic School Program and offset the state cost for enrollment growth. The net new growth amount for the Basic Levy Increment Rate has accrued to the Basic School Program since the creation of that rate in FY 2016. This revenue would have been generated regardless of the changes made in House Bill 293 (2018 GS).



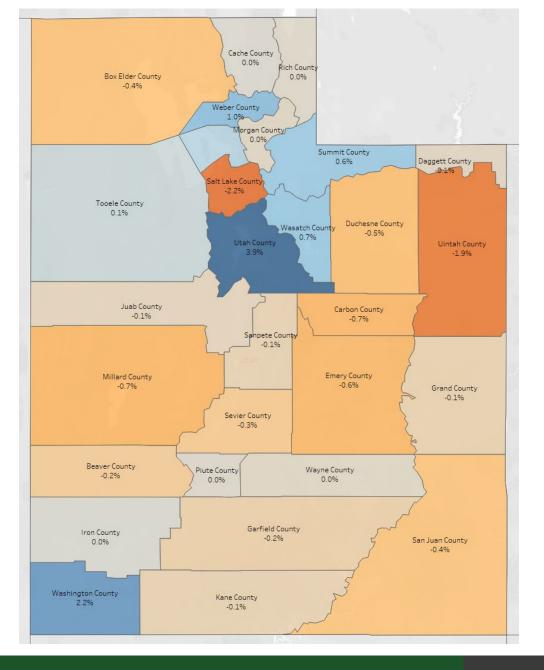
⁽¹⁾ The WPU Value Rate adjusts with the percent increase in the WPU Value as determined by the Legislature. The adjustment is based on the ratio of state and For FY 2023, the property tax increase is approximately \$6.2 million for each 1 percent increase.

The Combined Basic Rate - FY 2019 to FY 2023 Freeze Rate at 0.0016 | Actual Target Revenue Compared to WPU Value Rate Estimates \$800 \$700 \$600 \$500 Millions \$300 Freeze Rate = 0.0016 x Taxable Value \$200 —Actual: Revenue Target [Prior-Year Collections + Net New Growth] w/WPU Value Rate --- Est: Amount Under Freeze Cap if no WPU Value Rate in Target \$100 Est: Revenue Increase if WPU Value Rate was Applied "On Top" of Freeze \$0 2019 2022 2023 2020 2021



Uniform Statewide Rate: Taxable Value Changes

- Basic Rate Relies on Statewide Taxable Value
- Foundation of Fully Equalized Basic School Program (WPUs)
- The Rate *Does Not* Generate Additional Revenue from Increased Value of Property
 - The 5-Year Freeze Allowed The Rate to Capture Value Change
- The Rate *Does* Factor Shifts in Taxable Value Among School Districts
 - Districts with Higher Increases in Taxable
 Value Pay More Towards the Revenue Target
- Graphic Shows the Change in Taxable Value by County – Tax Year 2012 to 2022
 - Range: -2.2% (Orange) in Salt Lake County to +3.9% (Blue) in Utah County





Questions?

Ben Leishman

Finance Manager, Public & Higher Education

